Qantas Airways Limited

Building a Stronger Qantas
August 2011

Executive Summary

- Significant strategic developments announced today
  - ***Initial Phase*** of comprehensive plan to turnaround the **Qantas International** business
  - Building on successful **Pan-Asia growth** with launch of Jetstar Japan in 2012
  - Underpinned by **flexible fleet plan,** including A320 investment and deferral of A380 deliveries
- Transforming Qantas International: building sustainable returns for shareholders
  - Continued focus on customer excellence and premium product positioning
  - Confirmed intention to invest in a new premium, full-service airline based in Asia
  - Restructured Joint Services Agreement with British Airways
  - Significantly reducing capital investment by US$2.3b[1] in underperforming Qantas International
- Detailed FY11 results briefing on 24 August 2011 - no change to current earnings guidance

1. Based on A380 list prices, actual prices paid are commercial-in-confidence

Strategy

Deliver Sustainable Returns to Shareholders

Safety is always our first priority

Building on our strong domestic business

- **Profitably building on 65% market share through dual brands**
- **Deepening FFP[1] member and partner engagement**
- **Growing our portfolio of related businesses**

Transforming Qantas International

Growing Jetstar in Asia

Evolving the customer and dual brand strategy

Engaging and developing our people

1. FFP = Frequent Flyer Program

Building On Our Strong Domestic Business

Powerful domestic franchise underpins Group's success

QANTAS | Frequent flyer | Jetstar

Sustainable Competitive Advantages

Qantas:
- Superior in-flight experience and on-time performance
- Largest wide-body fleet
- Greater frequency, biggest network
- Strongest regional franchise
- Strong partnerships & alliances
- Owned terminals
- World class lounges
- Market leading check-in technology
- Largest travel website (qantas.com)

Frequent Flyer:
- 8.0 million members
- World class customer insights
- Deep home market penetration
- Extensive award opportunities
- Faster earn capabilities
- Record high member engagement
- World leading coalition of partners

Jetstar:
- Simple, high quality product
- Market leader in ancillary revenue
- Low cost leader
- Strong brand & customer perception
- Extensive leisure network
- Common A320/1 aircraft fleet

Strategic Priorities

Qantas:
- Setting new standards for customer experience
- Building on frequency advantage
- Capitalising on resources sector growth
- Best fleet

Frequent Flyer:
- Enhancing member proposition
- Adding to world leading partner portfolio
- Diversifying revenue streams
- Leveraging IP and member penetration

Jetstar:
- Singularly focused on price sensitive market
- Maintaining low cost position
- Driving ancillary revenue
- Best fleet

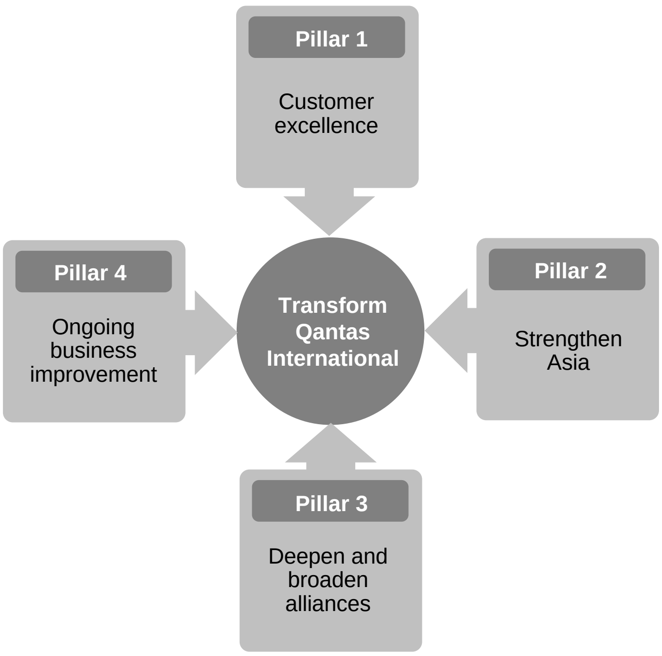
Transform Qantas International

Transformation Plan

5 Year Transformation Plan

To be one of the world's best premium airlines, setting global standards for long haul travel while delivering attractive returns to shareholders

- the right network, connections and frequencies
- a great flying experience
- a loyalty program with the best incentives and benefits



Clear Objectives Established

	Short term	*Long term*
Objectives	**Return Qantas International to profitability**	**Sustainably exceed cost of capital for Qantas Airline segment[1]**
Milestones	- Reduce losses of Qantas International business then improve profitability - Rationalise and restructure unprofitable capital, selectively invest in transformational opportunities	- Profitably grow earnings of International business - Consider capital reinvestment, pursue growth opportunities

Building long-term shareholder value

1. As defined in the 2010 Annual Report Note 2 (page 60). Qantas represents the Qantas passenger flying businesses and related businesses, and excludes Jetstar, Qantas Freight and Qantas Frequent Flyer.

Pillar 1

Customer excellence

Customer Excellence

- Enabling our people to deliver consistent excellence to our customers
- Enhanced by award-winning standard of Qantas A380 and improved ground experience
  - 12 x A380 in service by the end of 2011 and upgrade of 9 x B744 completed by the end of 2012
  - New and refreshed premium lounges in Los Angeles, Singapore and Hong Kong
  - Deployment of new B737 aircraft and introduction of market-leading check-in technology across the Tasman
- Building on market leading loyalty proposition of Qantas Frequent Flyer
  - New tier for highest flyers - Platinum One
  - Doubled points bonus in premium cabins
  - Increased Silver and Gold points bonus
  - epiQure launch and acquisition of Wishlist

Strengthen Asia

Pillar 2

Strengthen Asia

- Intention to invest in a new premium, full-service airline based in Asia under a new brand
  - Participate in the frequency and network advantage of being a hub carrier
  - Enable the Group to offer customers same-day travel from Australia to Asia and increase frequencies from Australian gateways
  - Expand the intra-Asia network with connections to multiple Asian destinations
  - Leverage the Group's experience in Asia
  - Leverage the Group's corporate customer relationships
  - Leverage the Group's existing alliance networks
- Exploring various potential base locations
- Premium configuration, utilising next-generation, in-flight and seat technologies
- Fleet requirements - up to 11 x A320 aircraft

1. Including the A320 fleet order announced today

Deepen and Broaden Alliances

Pillar 3

Deepen and broaden alliances

British Airways
restructured and strengthened Joint Services Agreement

- Qantas and British Airways will continue to provide services from Australia to London, connecting through Singapore as a premium hub into Europe
- Qantas to maintain flying to London with premium product (A380 aircraft or equivalent product)
- Bangkok and Hong Kong will leverage partner network adjacency
  - Qantas to continue services between Australia to Bangkok and Hong Kong but will eliminate unprofitable, asset-intensive flying between Bangkok and Hong Kong to London
  - British Airways to operate services between Bangkok and Hong Kong to London
  - British Airways to cancel one service between London and Australia
- Qantas to retain ownership of slots at Heathrow and lease to British Airways
- Commencing early 2012
- Release 4 x B744 for retirement

LAN Airlines
improved South American coverage

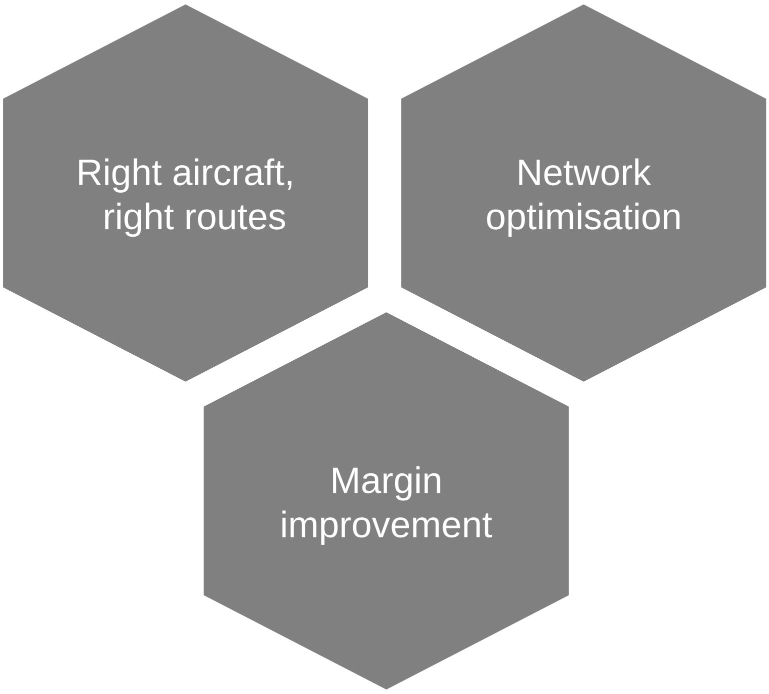
- Replace Buenos Aires with three-weekly service to Santiago
  - Larger, more premium market
  - Better and more frequent connections with LAN to other South American destinations
- Commencing early 2012

Anticipate further progress this calendar year

Pillar 4

Ongoing business improvement

Ongoing Business Improvement

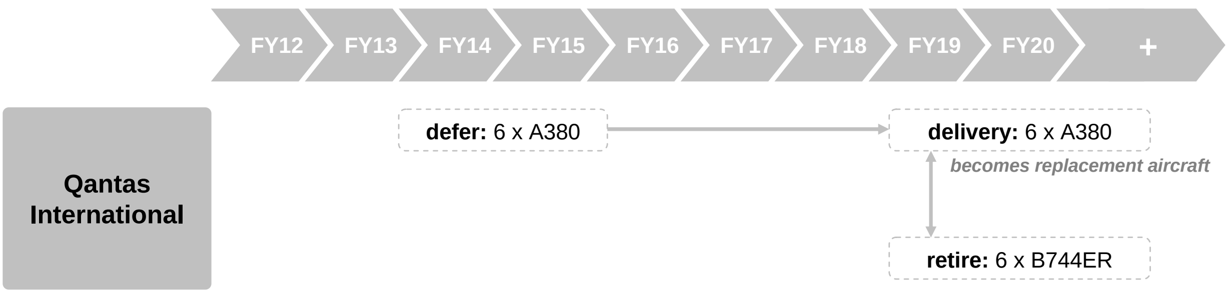


Pillar 4

Ongoing business improvement

Reduced Capex - Qantas International

- Significantly reduced capital investment in underperforming Qantas International
- Reduced short-term capex profile
  - Deferred delivery of 6 x A380 from FY14-FY16 to FY19 and beyond, valued at US$2.3b[1]
  - Strengthens key balance sheet metrics
- Reduced long-term capex profile
  - Deferred 6 x A380 become replacement aircraft for 6 x B744ER from FY19



1. Based on list prices, actual prices paid are commercial-in-confidence

People

- About 1,000 roles will be redundant
  - Affecting positions across Management, Pilots, Cabin Crew, Engineering and Airport Administration
- Substantial voluntary redundancy programs
- Opportunities for alternative roles and redeployment in the Group
- Opportunities to take leave without pay during the transformation period
- Seeking to minimise compulsory redundancies

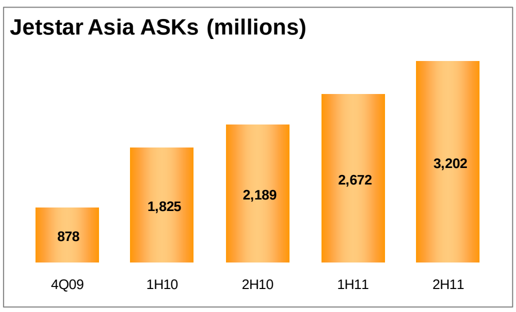
Next Steps

- These initiatives form the ***Initial Phase*** of the Qantas International Transformation Strategy
- Clear milestones are in place defining short and long term objectives
  - Reduce losses → Improve profitability → Drive profitable growth
  - Rationalise and restructure unprofitable capital → Consider investment in profitable opportunities → Invest to build long-term shareholder value
- Further initiatives to achieve the 5 Year Transformation Plan are in progress
- Announcements regarding further developments will be made in the coming months
- Transformation costs for this initial phase are still being assessed, preliminary estimates are in the range of $350m to $450m with more than half being non-cash charges

Grow Jetstar in Asia

Jetstar well-established in Asia

- Jetstar Group is one of the fastest growing airlines in the Asia Pacific region
  - Operations based across two continents and four countries
  - Servicing 17 countries, 56 destinations
  - Combined operating fleet of 78 aircraft[1]
  - 2,400 flights per week and growing
- Jetstar brand embedded in Asia
  - Significant growth into China - now serving 9 ports, 12 by the end of 2011
  - Launch of long-haul A330 base in Singapore
- Jetstar Asia strong profits and growing



1. Including Jetstar Pacific aircraft

Jetstar Japan to launch in 2012

- First true LCC in Japanese market
- JAL and Mitsubishi strong local partners
  - Economic interests – Jetstar and JAL 42%, Mitsubishi 16%
  - Equal voting interests
- Large market with low LCC penetration
- Leverages strong Jetstar brand position
- Rapid growth to 24 aircraft[1] in first few years
- Focus on domestic and international leisure destinations
- Qantas Group investment of c¥5b (c$64m) over 3 tranches

Reinforcing Jetstar as the largest LCC in Asia Pacific[2]

Jetstar

1. Off balance sheet for Qantas Group
2. Based on gross revenues

Disciplined Investment in Fleet

A320 Fleet Order - Disciplined Investment

	Indicative Timing[1]	No. Aircraft & Type	Indicative Allocations		Flexibility
New Fleet Order[1]	**SHORT TERM** FY13 - FY16	32 x A320	24 aircraft to Jetstar Japan **off QAN balance sheet**	8 aircraft to start **new premium airline based in Asia[2]**	Configured to enable flexible allocation
	LONG TERM FY16 - FY20	78 x A320neo	Jetstar Group: c50% will cover **lease expiries**	Jetstar Group: c50% will support **long-term growth of 4-6%pa for existing businesses**	Qantas Group has significant fleet flexibility including substantial reschedule rights, lease expiries and retirements

1. Fleet order contract has significant order and delivery flexibility including substantial reschedule rights and 2 options plus 32 rolling purchase rights (equivalent to 192 purchase rights)
2. Up to 11 aircraft will be deployed to the investment in a new Asian-based airline with additional aircraft sourced from existing fleet orders

A320 Fleet

- New fleet order is attractively priced and provides flexibility to manage fleet requirements against demand
- New fleet order secures early access to more efficient, new-technology A320neo aircraft from FY16
  - Unit cost advantage of around 8% over current A320 aircraft
    - up to 15% lower fuel burn
    - up to 20% lower engine maintenance costs
    - improved payload range capability
  - Longer range opens new destinations
  - Highly sought after - Airbus has over 1,150 firm and 400 option aircraft orders to date with supply limited in initial production years FY16-FY18

Capital Management

- Planned net capital expenditure of $2.5b in FY12 and $2.8b in FY13
- Significant cash reserves - over $3.4b at 30 June 2011
- $315m unsecured syndicated loan extended to April 2015 - upsized to $450m
- Mandated funding already in place for FY12 aircraft deliveries including 2 x A380, 10 x B737-800 and 3 x Q400
- Continue to leverage balance sheet strength to fund upcoming deliveries with a mix of:
  - Cash reserves, sale and leaseback, bank funding and ECA funding
- No financial covenants in any financing facilities
- Continue to focus on release of capital from non-core assets and operations where appropriate

Flexible Investment Profile

- Fleet flexibility demonstrated to date
  - Deferred delivery of 6 x A380 aircraft
  - Early retirement of B744, B767 and B734 aircraft
  - Deferred delivery of B738 aircraft
  - Non renewal of B738 and A320 lease
- Future fleet plan includes flexibility to scale up or down to meet market demand
  - Contractual cancellation rights
  - Up to 95 narrow-body aircraft and 25 wide-body aircraft lease renewals over next 10 years with 43 over the next 3 years
  - Aircraft delivery reschedule rights
  - Up to 50 aircraft retirements over the next 5 years
  - Purchase options and purchase rights

Aircraft deliveries (indicative timing)

Aircraft Type	FY12	FY13 – FY18	FY19 – FY24
A380-800	2	2	6
A330-200	2	1	-
B787-8	-	15	-
B787-9	-	35	-
A320 Family [1]	9	80	42
B737-800	12	11	-
B717	2	-	-
Q400	3	3	-
F100	5	5	-
Total Deliveries	**35**	**152**	**48**

- Average fleet age[2] will be 8.6 years in FY11 and is expected to decline to 8.3 years in FY12

1. Includes recently announced A320 aircraft order, does not include 24 aircraft for Jetstar Japan and 10 aircraft for Jetstar Pacific
2. Excludes Express Freighters and Network Aviation

Summary

Summary

- ***Initial Phase*** of comprehensive plan to turnaround the Qantas International business
  - Continued focus on customer excellence and premium product positioning
  - Strengthen our presence in Asia with intention to invest in a new premium airline
  - Deepen and broaden alliances
  - Significantly reducing capital investment in underperforming Qantas International
- Further initiatives underway to achieve 5 Year Transformation Plan, announcements regarding developments will be made over the coming months
- Milestones defined for short and long term objectives
- Building on successful Pan-Asia growth with launch of Jetstar Japan in 2012
- Flexible fleet plan including new Airbus A320neo fleet order
- ***A clear plan to build long-term shareholder value***